

Message Text

LIMITED OFFICIAL USE

PAGE 01 KUWAIT 04662 221259Z
ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 /019 W
-----073646 222031Z /23
R 221226Z AUG 78
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 1667
USDOC WASHDC
INFO USDOT/FHWA WASHDC

LIMITED OFFICIAL USE KUWAIT 4662

E.O. 11652: N/A
TAGS: ELTN, ETRD, KU, US
SUBJ: KUWAIT MINISTRY OF PUBLIC WORKS EXPRESSES UNHAPPINESS WITH
PERFORMANCE OF AMERICAN ROAD CONTRACTORS

1. LOU MCDONALD, CHIEF OF THE DEPARTMENT OF TRANSPORTA-
TION/FEDERAL HIGHWAY ADMINISTRATION (DOT/FHWA) TEAM ACTING
AS ADVISORS FOR GOK MINISTRY OF PUBLIC WORKS (MPW) FOR THEIR
HIGHWAY PROGRAM, HAS CONVEYED TO ME THE CONCERN EXPRESSED BY MPW UNDE
R

-
SECRETARY AL-ABDUL-RAZAK OVER LACK OF PROGRESS ON KUWAIT
MOTORWAYS CONSTRUCTION BEING UNDERTAKEN BY TWO AMERICAN
CONSTRUCTION FIRMS. UNDERSECRETARY ALSO EXPRESSED HIS CONCERN
ABOUT PERFORMANCE OF A THIRD CONTRACTOR, AN ITALIAN FIRM,
WHICH, HOWEVER, MCDONALD SAID, IS DOING BETTER THAN THE AMERICAN
FIRMS AT THIS STAGE.

2. THE AMERICAN FIRMS ARE (A) SANGAMO CONSTRUCTION COMPANY
OF SPRINGFIELD, ILLINOIS, AUWHICH IS CONSTRUCTING THE
FAHAHEEL EXPRESSWAY (6 KMS IN LENGTH) AT A COST OF APPROXI-
MATELY \$65 MILLION, AND (B) JOHNSON BROTHERS OF LITCHFIELD,
MINNKSOTA, WHICH IS BUILDING THE FIFTH RING MOTORWAY AT A
COST OF APPROXIMATELY \$75 MILLION.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 KUWAIT 04662 221259Z

3. BOTH THESE COMPANIES HAVE MADE LITTLE PROGRESS IN THEIR CON-
STRUCTION PROJECTS OVER AN INITIAL PERIOD OF SIX TO EIGHT
MONTHS5 ACCORDING TO MCDONALD WHO IS RESPONSIBLE TO THE MPW
FOR OVERALL SUPERVISION OF HIGHWAY CONSTRUCTION IN KUWAIT.

SANGAMO'S PERFORMANCE HAS DETERIORATED SINCE THE DEATH HERE OF

ITS PREVIOUS PROJECT MANAGER WHO WAS AN AMERICAN. HE CONSIDERS THAT THE PRESENT PROJECT MANAGER, A LEBANESE, IS ONLY marginally EFFECTIVE AND NOTES THERE IS A DISTINCT ABSENCE OF COMPETENT MIDDLE MANAGERIAL PERSONNEL BETWEEN THE PROJECT MANAGER AND THE FOREMEN. IN HIS VIEW, SANGAMO APPEARS TO BE RELYING TOO MUCH ON A LOCAL KUWAITI SUBCONTRACTOR. MCDONALD ALSO OBSERVED THAT SANGAMO DID NOT APPEAR TO BE FULFILLING A CONTRACT COMMITMENT TO PROVIDE US PERSONNEL IN AT LEAST EIGHT KEY POSITIONS.

4. WHILE THE PERFORMANCE OF THE JOHNSON BROTHERS IS SOMEWHAT BETTER THAN SANGAMO'S, IT, TOO, IS FALLING BEHIND SCHEDULE. THERE IS ALSO SOME QUESTION ABOUT ITS RELATIONSHIP WITH ITS AGENT-PARTNER, UNITED ARAB CONTRACTORS (UNARCO) TO WHICH WAS SUBJECT OF NEGOTIATION BETWEEN JOHNSON BROTHERS AND MPW BEFORE THE CONTRACT WAS AWARDED. MCDONALD STATED THAT UNDERSECRETARY FELT JOHNSON BROTHERS WAS PLACING TOO MUCH RESPONSIBILITY UPON UNARCO, WHICH IS PRECISELY WHAT THEY WERE WARNED AGAINST BY MPW. IN MCDONALD'S VIEW, UNARCO'S PERFORMANCE, WITHOUT ADEQUATE AMERICAN SUPERVISION, IS THE REASON FOR THE LACK OF SUFFICIENT PROGRESS BEING MADE ON THIS PROJECT.

5. COMMENT: THE AMBASSADOR WELCOMED THE AWARDED OF THESE IMPORTANT MOTORWAY CONTRACTS TO AMERICAN FIRMS AND HAD HOPED THAT THEIR SUPERIOR PERFORMANCE IN COMPARISON TO LOCAL LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 KUWAIT 04662 221259Z

CONTRACTORS WOULD PROVIDE AN EXCELLENT EXAMPLE OF AMERICAN COMPETENCE AND EXPERTISE WHICH WOULD ENCOURAGE THE KUWAITIS TO DIRECT MORE OF THEIR BUSINESS TO AMERICAN COMPANIES. THE SUBSTANDARD PERFORMANCE DESCRIBED BY MCDONALD AND THE EXCESSIVE RELIANCE ON LOCAL CONTRACTORS IN THE ABSENCE OF ADEQUATE AMERICAN COMPANY PERSONNEL NOT ONLY REFLECTS UPON THE COMPANIES INVOLVED BUT ALSO ON THE QUALITY OF PERFORMANCE OF ALL AMERICAN COMPANIES. THE POTENTIAL FOR AMERICAN

PARTICIPATION IN PROJECTS IN KUWAIT HAS ALWAYS BEEN SUBSTANTIAL BECAUSE OF THE RECOGNIZED REPUTATION OF AMERICAN FIRMS AND A GENERAL KUWAITI PREFERENCE AND RESPECT FOR AMERICAN EXPERTISE AND COMPETENCE. IT WOULD BE MOST REGRETTABLE IF THE PERFORMANCE OF SANGAMO AND JOHNSON BROTHERS ON THESE TWO IMPORTANT PROJECTS WERE TO HARM FUTURE OPPORTUNITIES FOR OTHER AMERICAN FIRMS.

6. ACTION REQUESTED: THAT AN APPROPRIATE SENIOR OFFICIAL IN THE DEPARTMENT OF COMMERCE TELEPHONE THE PRESIDENTS OR OTHER RESPONSIBLE EXECUTIVES OF THE SANGAMO AND JOHNSON BROTHERS CONSTRUCTION COMPANIES TO ACQUAINT THEM WITH THIS SITUATION IN KUWAIT. IN ADDITION TO CONVEYING THE ABOVE MENTIONED

ASSESSMENT OF THEIR COMPANIES' PERFORMANCE, MENTION SHOULD
ALSO BE MADE OF THE IMPORTA
NE TO THE US BALANCE-OF-PAYMENTS
OF AMERICAN PARTICIPATION IN LARGE PROJECTS OVERSEAS AND
THE IMPACT THAT THIS PERFORMANCE COULD HAVE ON THE CHANCES
FOR OTHER AMERICAN COMPANIES IN KUWAIT, AS WELL AS IN THE
REMAINDER OF THE REGION SINCE SUCH NEWS TRAVELS FAST. THESE
COMPANIES SHOULD BE ENCOURAGED TO QUALIFY THEIR OPERATIONS IN
KUWAIT WITH COMPETENT AMERICAN MANAGERS INSTRUCTED TO TAKE
PROPER ACTION TO IMPROVE THEIR CURRENT PERFORMANCE.
IF THERE IS NO IMPROVEMENT, THE AMBASSADOR HAS BEEN FOREWARNED
THAT HE WILL RECEIVE AN OFFICIAL COMPLAINT FROM THE MINISTRY
OF PUBLIC WORKS.

MAESTRONE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 KUWAIT 04662 221259Z

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION INDUSTRY, GOVERNMENT REACTIONS, HIGHWAYS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KUWAIT04662
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780343-0734
Format: TEL
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780838/aaaabfov.tel
Line Count: 136
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 127d635f-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1663398
Secure: OPEN
Status: NATIVE
Subject: KUWAIT MINISTRY OF PUBLIC WORKS EXPRESSES UNHAPPINESS WITH PERFORMANCE OF AMERICAN ROAD CONTRACTORS
TAGS: ELTN, ETRD, ECRE, KU, US
To: STATE COM
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/127d635f-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014